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RUEHEG/AMEMBASSY CAIRO PRIORITY 2846
RUEHDM/AMEMBASSY DAMASCUS PRIORITY 5238
RUEHLO/AMEMBASSY LONDON PRIORITY 2099
RUEHFR/AMEMBASSY PARIS PRIORITY 0324
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RUEHTU/AMEMBASSY TUNIS PRIORITY 5571
RUCNDT/USMISSION USUN NEW YORK PRIORITY 7543
RUEHJI/AMCONSUL JEDDAH PRIORITY 0399
RUEHJM/AMCONSUL JERUSALEM PRIORITY 0569
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UNCLAS TEL AVIV 002271

STATE FOR NEA, NEA/IPA, NEA/PPD

WHITE HOUSE FOR PRESS OFFICE, SIT ROOM
NSC FOR NEA STAFF

SECDEF WASHDC FOR USDP/ASD-PA/ASD-ISA
HQ USAF FOR XOX
DA WASHDC FOR SASA
JOINT STAFF WASHDC FOR PA
CDR USCENTCOM MACDILL AFB FL FOR POLAD/USIA ADVISOR
COMSOCEUR VAIHINGEN GE FOR PAO/POLAD
COMSIXTHFLT FOR 019

JERUSALEM ALSO ICD
LONDON ALSO FOR HKANONA AND POL
PARIS ALSO FOR POL
ROME FOR MFO

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E.O. 12958: N/A
TAGS: OPRC KMDR IS

SUBJECT: ISRAEL MEDIA REACTION

SUBJECTS COVERED IN THIS REPORT:

¶1. Mideast

¶2. Iran

Key stories in the media:

All media reported that yesterday the Tel Aviv Stock Exchange fell to its lowest level since September 2006. The blue-chip TA-25 index lost 6.3 percent to fall below 800 for the first time in two years,

while the broader TA-100 lost 7 percent. The Real Estate-15 plunged 11 percent, completing a loss of more than two-thirds of its value since the start of the year. As for corporate bonds, the blue chip TelBond-20 fell 4.3 percent, while the broader TelBond-40 recorded an almost unprecedented one-day loss of 7.5 percent. HaQaretz reported that the global economic crisis has thrown a new monkey wrench into the ongoing coalition negotiations, with Labor Party Chairman Ehud Barak demanding government intervention to shore up the financial markets but Kadima chairwoman Tzipi Livni, the prime minister-designate, rejecting the idea.

Yesterday French FM Bernard Kouchner was quoted as saying in an interview with HaQaretz on Friday that Iran knows that Israel will attack it before the Iranian bomb is ready.

The media reported that FM Tzipi Livni told her French counterpart Bernard Kouchner that she opposes the agreement in principle that Prime Minister Ehud Olmert has offered PA President Mahmoud Abbas. "I do not believe in far-reaching proposals and an attempt to expedite matters, especially in light of the political situation," Livni was quoted as saying. Leading media quoted her as saying: QIsrael wants to arrive at peace with all her neighbors: The Palestinians, Syria, Lebanon, and the Arab nations.

The media reported that an interview with GOC Northern Command Maj. Gen. Eisenkot in Yediot which was scorned by Hizbulah leader Sheikh Hassan Nasrallah as well as articles by two other senior IDF officers indicate that the army is likely to resume strengthening its capability for maneuvers, represented by the Armored and Infantry Corps, at the expense of its firepower, particularly that of the Air Force.

Yesterday Makor Rishon-Hatzofe reported that Mahmoud Abbas will visit Damascus in October and meet with Syrian President Bashar Assad. The newspaper quoted PA negotiator Saeb Erekat as saying that Abbas and Assad would coordinate positions on all of the issues on the agenda.

HaQaretz reported that Palestinian sources told the newspaper recently that Palestinian security forces thwarted an attempted suicide bombing within the Green Line. The sources were quoted as saying that the security service in the West Bank arrested two senior wanted members of Hamas's military wing in Hebron, who were found in possession of weapons and an explosives belt. The suspects, who were arrested three weeks ago, were also in possession of a great deal of cash, which they were thought to be planning to use to carry out the attack. One of the suspects is Wail al-Bitar, one of the heads of Izz al-Din al-Qassam in the area. Neither of the Hamas operatives resisted arrest. Both are said to be part of a Hamas network that planned and carried out a suicide bombing in Dimona in February that killed an Israeli woman and seriously wounded her husband.

Maariv and The Jerusalem Post reported that in a move that could set a precedent, Palestinians on whose land the illegal outpost of Migron was built are demanding 1.5 million shekels (around \$433,000) in compensation. Yesterday Maariv reported that 400 new trailer-homes have been added to communities beyond the Green Line.

The Jerusalem Post cited Kadima claims of progress in the government coalition talks, while the Labor Party says there is no progress.

The media reported that yesterday the cabinet voted to transfer QSergeyOs CourtyardQ in JerusalemQs Russian Compound to Russian government. PM Ehud Olmert will inform Russian President Dmitry Medvedev and PM Vladimir Putin of the decision when he arrives in Moscow today. Some media reported that Olmert will ask in exchange that Russia refrain from selling missiles to Syria. A number of groups protested the move, including the right-wing Legal Forum for the Land of Israel,

Maariv reported that Benjamin Gibli, who headed IDF Intelligence at the time of the so-called Lavon Affair -- the scandal over a failed Israeli covert operation in Egypt in which Israeli military intelligence planted bombs in Egyptian, American, and British-owned targets in the summer of 1954 Q told two of his biographers that then IDF Chief of Staff Moshe Dayan "gave the order" for the operation.

The media reported that the U.S. will ask Canada to extradite Israeli computer hacker Ehud Tenenbaum, better known as the QAnalyzer, so that he can be indicted as one of the masterminds of a worldwide ring of hackers that allegedly stole millions of dollars. Ten years ago, Tenenbaum became famous for hacking into the Pentagon's computers.

Yesterday HaQaretz reported that as a son is preparing to enlist in the IDF, his Palestinian father was refused entry to Israel.

Leading media reported that the Jewish Council for Education and Research, a Jewish political action committee that supports Barack Obama's bid for the presidency, has "recruited" former senior Israeli defense officials to the campaign by collating flattering statements about the Democratic Senator from seven such officials into a new advertisement that will begin running today. However, it seems that some participants, including Maj. Gen. (res.) Uzi Dayan and former Mossad chief Ephraim Halevy, were unaware they were aiding an Obama campaign ad. Media reported that a spokeswoman for Obama told Globes yesterday that the Senator has promised not to cut foreign aid to Israel if he is elected president in November. Media reported that the Republican Jewish Coalition has released its own clip featuring Jewish American comedian Jackie Mason.

HaQaretz reported that a recent report by the State Comptroller found that Israel has defense systems for short-range rockets, and asked why they are not put to use.

HaQaretz quoted Lockheed Martin as saying that the cost of each F-35 stealth fighter that the IAF will buy is \$78 million.

Yesterday the media reported that on Saturday Israel accused North Korea of providing WMD to six countries in the Middle East that ignore arms-control commitments.

The Jerusalem Post reported that yesterday a Palestinian was caught with two pipe bombs at the Hawara checkpoint south of Nablus.

The Jerusalem Post cited an AP report quoting a UN spokeswoman as saying that IDF soldiers have detained a Lebanese citizen near the Israeli border.

The Jerusalem Post and HaQaretz cited wire reports that a UN nuclear conference of 145 nations has indirectly criticized Israel for refusing to put its atomic program under international oversight.

Yesterday HaQaretz reported on serious flaws in the maintenance by a private contractor of the IAF's Skyhawk attack planes.

Leading media reported that the trial of tycoon Arkady Gaidamak starts today in Paris on charges of illegal arms trafficking, fraud, money laundering, fraudulent receipt, and tax evasion. The indictment also states that Gaidamak and his former partner Pierre Falcone gave perks to senior members of the French government to promote their business deals. The charges allege that mainly from 1993 to 1995, Falcone and Gaidamak used various intermediaries and sold weapons and ammunition worth \$790 million from Russia and Slovakia to Angola, during that country's civil war.

11. Mideast:

Summary:

Veteran journalist and television anchor Yaron London wrote in the mass-circulation, pluralist Yediot Aharonot: QI am referring to a situation where Arab citizens complain of being punished because of their leaders, but are more afraid of their leaders than they are of us. A situation should be brought about where the fear we cast upon them is greater.

Block Quotes:

"They're All Nasrallah"

Veteran journalist and television anchor Yaron London wrote in the mass-circulation, pluralist *Yediot Aharonot* (10/6): QThe Dahiya strategyQ is a term that can be expected to take root in the security discourse. Dahiya is the ShiQite quarter of Beirut, which was turned into a heap of rubble by our pilots in the Second Lebanon War. OC Northern Command Maj. Gen. Gadi Eisenkot, in an interview to *Yediot Aharonot* published this past Friday, said clear things, which can be summed up as follows: In the next clash with Hizbulah, we will not bother to hunt down tens of thousands of rocket launchers and will not spill the blood of our soldiers in an attempt to take control of nature reserves; instead, we will destroy Lebanon and not be deterred by the protests of the Qworld.Q We will demolish the 160 ShiQite villages that have become bases of the ShiQite army and will not spare the infrastructure of the state, which is effectively controlled by Hizbulah. This strategy is not a threat blurred out by a hotheaded officer, it is an approved plan.

Until now, the Dahiya strategy has not been adopted because Israel has tried to adhere to the distinction between Qbad LebaneseQ and Qgood LebaneseQ. The Dahiya strategy is the regular way of thinking of most of the Arabs. As far as they are concerned, QZionistsQ are criminals, but QZionistsQ are all Jews who are citizens of Israel and also Jews who do not support Zionism at all. Only Arab propagandists who have been educated in the West distinguish between the QZionist governmentQ and the Jewish people, Qwith which we have no historical conflict, and with which we have lived in harmony for centuries.Q I do not propose to adopt the ArabsQ way of thinking, but only the conclusions that arise from a permanent situation where states and political organizations that purport to be representative disclaim responsibility for those whom they supposedly represent. I am referring to a situation where Arab citizens complain of being punished because of their leaders, but are more afraid of their leaders than they are of us. A situation should be brought about where the fear we cast upon them is greater.

I2. Iran:

Summary:

The independent, left-leaning *Ha'aretz* editorialized: QLivni's test will not be her ability to order the Israel Air Force to attack, but the discretion she demonstrates in the face of the Iranian threat and the calls for the use of force against it.

The conservative, independent *Jerusalem Post* editorialized: QCcapitulation to Moscow in [the] matter [of returning Russian property in Jerusalem], apart from being unlikely to purchase Russian goodwill on the critical Iranian issue, could well open up a Pandora's Box of other territorial demands.

Defense commentator Amir Oren wrote in *Ha'aretz*: QThe nuclear deterrence attributed to Israel is not completely superfluous -- it dissuaded Saddam from using chemical and biological weapons in 1991 -- but if embraced without earnestly and continuously striving for peace, that deterrence is a costly illusion.

Block Quotes:

II. "Aggression DoesnQt Prove Suitability"

The independent, left-leaning *Ha'aretz* editorialized (10/6): QOver the past few weeks, politicians and the media have increasingly been discussing the possibility that Israel will attack Iran's nuclear facilities, against the backdrop of the apparent failure of diplomatic efforts and sanctions aimed at halting Iran's nuclear plans. French Foreign Minister Bernard Kouchner told *HaQaretz* that Israel is already preparing such an attack and will hit Iran before the latter acquires a nuclear bomb. "Israel has always said that it will not wait for the bomb to be ready," Kouchner said. "I think that they [the Iranians] know. Everybody knows." Kouchner is no exception. Columnists and analysts in Israel have been challenging prime-minister designate Tzipi Livni over the past few weeks with the question of whether she will be courageous and determined enough to make "crucial decisions" about Iran -- a transparent euphemism

meant to refer to a decision about military action.... Decisions about Iran must be made with the maximum discretion possible, and only on the basis of the strategic situation assessment, the gist of which is: Is Israel capable of thwarting or disrupting, for an extended period, the Iranian nuclear plan on its own? And is the expected price of such an operation - rocket attacks on the home front, terror attacks, and a long cycle of violence -- worth the risk, even if Israel wins a tactical victory? Considerations of prestige, public popularity, or ratings should not play a role in such a crucial decision. Livni's test will not be her ability to order the Israel Air Force to attack, but the discretion she demonstrates in the face of the Iranian threat and the calls for the use of force against it.

II. QSergeyQs Courtyard

The conservative, independent Jerusalem Post editorialized (10/6): QEhud Olmert is off to Moscow today in what may well be his last overseas visit as prime minister. He will arrive at the Kremlin bearing a valuable gift -- or more accurately, a concession -- one the Russians have been adamantly demanding as their due. Olmert will turn over to the Russians nine acres, known as Sergey's Courtyard, inside the Russian Compound in the heart of downtown Jerusalem. There is no reason the Jewish state should regard Sergey's Courtyard as sacrosanct and turn it into what could possibly amount to a de facto extraterritorial Russian toehold in our capital. And capitulation to Moscow in this matter, apart from being unlikely to purchase Russian goodwill on the critical Iranian issue, could well open up a Pandora's Box of other territorial demands. Those who oppose the gesture are now expected to turn to the High Court of Justice to try and stop it. They will argue, in part, that such a significant concession should not be made by a premier who has already tendered his resignation. Regardless of Olmert's caretaker status, our view is that the premier has failed to make a compelling case that handing over Sergey's Courtyard is in Israel's interest.

III. "Nuclear Deterrence, with a Grain of Salt"

Defense commentator Amir Oren wrote in Ha'aretz (10/6): QEvery known nuclear site in the world can be pinpointed with precision and targeted for demolition. The international literature is full of guesses about Israeli nuclear sites. The Iranians, Syrians, and fundamentalist Islamic organizations are liable to believe that barrages of missiles and rockets on these sites will damage Israel's strategic alignment, or will at least disrupt or paralyze it, without giving Israel a reason to use other, well-hidden means against them from that same alignment. The sad conclusion, on the 35th anniversary of the Yom Kippur War, is not that the nuclear deterrence attributed to Israel is completely superfluous -- it dissuaded Saddam from using chemical and biological weapons in 1991 -- but that if embraced without earnestly and continuously striving for peace, that deterrence is a costly illusion.

CUNNINGHAM